Operations Strategy

It is generally accepted that the beginnings of what is now referred to as operations strategy were developed at Harvard beginning in the period immediately following World War II. Researchers started looking at different industries and saw that there were many different choices in ways in which companies were choosing to compete. These were accompanied by further choices concerning operations technology and management. The success and failure of the companies studied could be often explained by the choices the companies made and their alignment to competitive strategies.

Key to the propagation of operations strategy as a strategic opportunity was the work of Wickham Skinner in his two articles: "Manufacturing – the missing link in corporate strategy" and "The Focused Factory". The first explained the importance of linking operations choices with an organizations environment and strategy. The second article which I have referred to often in my own work developed the concept of focus and the advantages of being consistent and in alignment both internally and externally.

Since Skinner's early work, the writings and practices of operations strategy have developed on a few broad fronts. We will look at two of them here. The first can be described as competing through capability by closely linking the operations capability of the organization with the competitive realities of the market. Dell computer with is make-to order business model and Wal-Mart with its distribution system are good examples. The second is often described as a best practice or "World Class Manufacturing" approach. Canon and Toyota are good examples of this.

Competing through operations

This approach argues that an organization should compete through its operations capabilities and should align those capabilities with its marketing strategies and the demands of the marketplace. I had an early experience with this approach in my own career when I was in the corrugated container business. I left one company with a plant full of equipment designed to produce large boxes such as mattresses and small sailboats. The company I went to had equipment that was best suited to smaller boxes and shorter production runs. Though they were technically competing with each other, in reality they were not due to the choices they each made in their manufacturing capabilities.

The subject of "how are we to compete" through operations typically looks at the dimensions of cost, quality, dependability, and flexibility. Examples are Wal-Mart's streamlined supply chain management system that

keeps costs low, Toyota's long term use of continuous improvement to produce high quality vehicles, the infrastructure investments that have produced the dependable phone service that is so often taken for granted in this country, and Burger King's "have it your way" approach to flexibility with the corresponding kitchen arrangements that support it. While companies often win their business through one of these criteria, this does not mean the others are unimportant. In today's world, quality is often a "given" as every competitor is producing good quality. Companies that compete mainly on their good quality are likely to see their share of market erode.

Competing through Best Practice

The writing on best practice has been dominated by Japanese manufacturing practice in recent years though that was not always the case. Shigeo Shingo is often referred to as the Thomas Edison of Japan and he was one of the main architects along with Taiichi Ohno of the Toyota Production System. In a speech I attended at the annual American Production and Inventory Control Society (APICS) international conference in 1988 he referred often to the work of Frank Gilbreth as the source of his insights. Frank Gilbreth (1868-1924) did most of his work in the latter 19th and early years of the 20th century here in the US.

There have been three stimuli that have brought best practice to the forefront. The first has been the outstanding performance of Japanese manufacturing in the world markets. This has led to a continuing emphasis in the West of adapting or adopting those manufacturing practices. The second has been the growth of business process based approaches and benchmarking. This has led companies such as Xerox to identify their core processes and seek out best in class companies such as L. L. Bean to benchmark their warehousing practices against. Finally there has been the emergence of awards such as the Deming Prize in Japan, the Malcolm Baldridge National Quality Award in the US, and the European Quality Award. These all have brought a high level of interest to best practice.

In my own experience I have come to define best practice as excellence in total quality, concurrent engineering, lean production, manufacturing systems, and supply chain management. The underlying assumption of achieving excellence in these areas is that this will lead to increased competitiveness.

The paradigms of operations strategy each have their strengths and weaknesses and there is some overlap between them. While the traditional tradeoff between costs and quality are probably no longer valid due to universal high expectations of good quality, the answer to "can you be the best in your business in all of the other criteria simultaneously" is probably still no. There are still tradeoffs that are going to have to be carefully made within each organization in selecting its operations strategy.

For those of you who would like to learn more I recommend these readings.

Suggested further reading

1. Wickham Skinner, "Manufacturing – the missing link in corporate strategy", *Harvard Business Review,* May-June 1969
2. Wickham Skinner, "The Focused Factory", *Harvard Business Review,* May-June 1994
3. Prahalad, C.K., and Hamel, G., "The Core Competencies of the Corporation", *Harvard Business Review,* Vol. 68, No. 3, 1990, pp. 79-91.

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